

Companies that do not have good financials. wait till the last week so that shareholders cannot attend due to several AGMs scheduled during this period

Take Note, Investors: Your Company may Plot to Keep You Out of AGM

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Mumbai: Attending annual shareholder meetings of Indian companies is proving to be a herculean task for investors. Nearly 60% of the listed firms—about 2,250—have fixed their annual general meetings (AGMs) this week in various towns across the country, which, corporate governance experts and investor bodies said, impedes shareholders' interactions with managements.

"By scheduling 2,300 AGMs in one week, companies restrict their shareholders active participation" said Narendra Mehta, secretary, Investors' Grievances Forum (IGF). Of the 2,250 companies, 831 have

fixed their AGMs on Friday while 447 companies have scheduled their general meetings for Thursday.

Some bluechips including ONGC, Sun Pharma, DLF, NHPC, Divi's Lab, United Breweries, Indraprastha Gas and HUDCO have scheduled their AGMs this week.

Four companies of Anil Ambani's Reliance ADA Group—Reliance Capital, Reliance Communications, Reliance Infra and Reliance Power—held their AGMs on Tuesday.

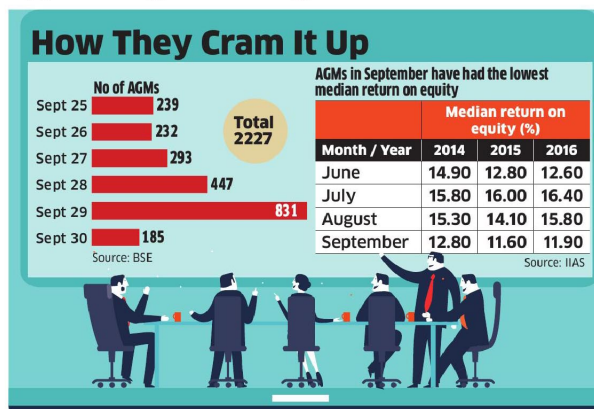
As per the Companies Act, every company must hold an annual general meeting every year within six months from the closing date of financial year. A notice of 21 days has to be sent to all members. At every AGM, the company's

board of directors discuss the company's financial performance.

"Many of the companies, which do not have meaningful operations or good financials, wait till the last week so that shareholders cannot attend due to several AGMs during this period," said Amit Tandon, founder, Institutional Investor Advisory Services India, a corporate-governance advisory firm.

Such meetings are also the only time when smaller shareholders get to hear from managements of companies, in which they own shares. While it is up to the company to hold meetings at its discretion, investors said managements need to follow the norms in spirit.

"AGMs are the only platform where investors can directly inter-



act with the promoters of the company," said Kapil Gupta, an investor who holds shares of over 300 companies. "The opportunity to participate effectively is a precious and substantive right of shareholders which companies should follow in principles of spirit".

Institutional Investor Advisory Services has some interesting data: **Companies holding their AGMs in September have the lowest median return on equity** compared to companies that hold their AGMs in June or July or August. "We have been tracking this phenomenon for a while. There is a correlation between the time of meeting—end September—and weak financial performance," said Tandon. "We can

only advise investors to stay away for these companies."

Investors' Grievances Forum's Mehta said authorities need to introduce a law that will encourage companies to spread across their AGMs.

"It becomes obligatory on regulators and exchanges to bring some law to ensure the exercise of shareholders right to attend the annual general meetings is not made difficult by fixing inconvenient schedule," said Mehta.

Sandeep Parekh, founder, Finsec Law Advisor said, "If authorities want common shareholders to attend the meetings, then rules must be changed by giving more time to the companies to complete the AGM process and by restricting number of AGMs per day".